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DEPARTMENT FOR G, M, RM, NEA/SCA/PMO FOR GDEBELL, NEA/ARP,
G/TIP AND DRL
DEPARTMENT OF LABOR FOR JRUDE

E.O. 12958: N/A
TAGS: [AMGT](#) [PHUM](#) [PREL](#) [ELAB](#) [SMIG](#) [MU](#)
SUBJECT: INCREASING WAGES IN EMBASSY MUSCAT'S SERVICE
CONTRACTS

REF: A. STATE 28455

[1](#)B. 07 MUSCAT 388

[1](#)1. (SBU) Summary: With the Department's support, Embassy Muscat is committed to ensuring that all expatriates under contract to perform cleaning and landscaping services at the Embassy receive at least the prevailing minimum wage for Omani citizens (ref A). The lack of a wage floor in Oman (there is no official minimum wage for expatriate workers) leaves foreign workers at the bottom skill levels vulnerable to becoming victims of trafficking in persons (TIP) for labor exploitation. Post's new policy would increase the base wage of these expatriate contract workers by more than 300% at an additional annual cost to the Embassy of roughly USD 18,000 - a less than 30% increase in overall service contract price. The policy likely will have an immediate positive impact on the laborers' conditions of work, and help reconcile a possible conflict between our contracting regulations and anti-TIP policies. End summary.

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Background
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[1](#)2. (SBU) Over the past several years, post has been pushing Oman to adopt new laws and regulations to prevent TIP. In 2007 the USG placed Oman on Tier 3 in the Department's annual TIP Report for failing to make significant efforts to prevent trafficking. Low-skilled expatriate workers in the construction, cleaning and agricultural/gardening industries, many of whom work long hours for very low wages under often difficult conditions, are particularly vulnerable to becoming TIP victims. Some of these workers are in debt to recruitment agencies in their home countries and can be forced to accept exploitative conditions as they work to pay off their debt and accumulated interest.

[1](#)3. (SBU) Post currently contracts with local companies for gardening and cleaning services. We became aware that employees of these contracted companies, all of whom are from South Asia, are paid a base wage as low as 35 Omani Riyal (OR) (USD 90) per month. Although this is within the generally accepted industry wage rate for these services in Oman, Post strongly believes that these low wages are potentially exploitative and that accepting them in our contracts - while in line with Federal Acquisition Regulations (FAR) - is counter to our labor and anti-TIP agendas (ref B). Subject to available funds, Post wants to ensure that workers assigned to the Embassy under service contracts are paid according to the legal minimum base wage for Omani citizens of 120 OR (USD 311) per month. (Note: The official minimum wage for Omani nationals is 140 OR (USD

364); a 120 OR base wage and 20 OR housing allowance. End note.) Post believes that improving the wages of low-skilled expatriate laborers is one important way to help break the cycle of debt that can lead to exploitation and TIP victimization. In addition, implementing fair labor practices through our contracts publicly reinforces our anti-TIP position and helps us avoid potential claims of inconsistency.

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Service Contracts at the Embassy
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¶4. (SBU) The Embassy has two contracts that would be affected by this policy - one with the company Kalhat for general cleaning and the other with the General Development Services (GDS) company for gardening and landscaping at the chancery, CMR, DCMR and MSG residence. Kalhat cleaners assigned to the Embassy receive a base salary of 35 OR (USD 90) per month for a nine-hour workday, six days a week. The workers' total monthly financial compensation can equal approximately 70 OR (USD 181), depending upon allowances for which they may be eligible - some monthly allowances can be as high as 20 OR (USD 52) depending upon a worker's experience - and the number of overtime hours worked at a prevailing rate of approximately 200 beza (USD .52) per hour. The company also provides each worker with food from the corporate mess at an estimated value of 15 OR/month (USD 39), as well as housing (though often in cramped conditions and of very poor quality), medical care and one trip home every two years. GDS employees are similarly compensated (ref B).

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Minimum Wage in Oman
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¶5. (SBU) While Oman has established a minimum base wage of 120 Omani Riyal (OR) (USD 311) per month for its citizens, there is no official minimum wage for foreign workers. Some labor exporting countries have attempted to unilaterally establish minimum base wages (not including overtime or other financial compensation) for their nationals in Oman under cooperative agreements with Oman's Ministry of Manpower (MOM). Under these agreements, the embassies of labor exporting countries review all new employment contracts for their citizens seeking to come to Oman to work to ensure that they meet the required wage minimum. If a contract does not meet the established wage floor, the embassy can refuse to approve the contract and then stop their nationals (in coordination with their immigration officials back home) from departing for Oman if the petitioning company does not agree to pay the required amount. Some of the countries that provide the bulk of Oman's foreign labor force have established minimum wages for newly entering workers at the following levels:

Country
India -- 50 Omani Riyal (OR) (USD 130)
Bangladesh -- none reported
Pakistan -- none reported
Sri Lanka -- 75 OR (USD 195)
Indonesia -- 75 OR (USD 195)
Philippines -- 154 OR (USD 400)

¶6. (SBU) The result is a patchwork of wages for low-skilled workers that is notoriously difficult to enforce. Specifically, as the minimum wages set by these countries are not enforceable under Omani law, foreign embassies have no mechanism to impose the payment of wages at the contract level once their nationals are in country, although the individual worker could initiate legal action against his/her employer for a contract violation. Moreover, there are many reported cases in which companies "switch" contracts by forcing a worker to sign a new agreement with a lower monthly

salary once he or she starts work. (Note: There is no evidence that either Kalhat or GDS is involved in contract switching. End note.)

17. (SBU) Kalhat's base wage, for instance, is well below any of the exporting countries' wage requirements. An Omani manager in one of Kalhat's competitors, Oman International Group (OIG), told poloff that companies in the industry generally circumvent the source country wage requirements by reporting a worker's total monthly financial compensation in the contract it submits to the embassy for approval without specifying base wage. A diplomat at the Indian Embassy in Muscat separately informed poloff that this practice is against his government's policy; however, to date it has rarely asked companies to specify the base wage rate for Indian nationals.

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Costs to the USG
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18. (SBU) The Embassy is in the position to enforce a minimum wage for its service contract workers through the contracting process. As stated above and in ref A, pending the availability of funds, Post will require that all contracts include a base salary for workers assigned to the Embassy that is equal to the prevailing Omani minimum base wage of 120 OR/month. Post will not consider nationality-based minimum wages, as adherence to the Omani minimum is the most straightforward and easily enforceable way to ensure a basic level of equity. At present, the Embassy contracts for eight workers, five from Kalhat and three from GDS. The current total cost of our two contracts is USD 63,000 per year. We assume that Kalhat and GDS will attempt to transfer the full cost of any wage increase to the Embassy through an increase in the price of the overall contract. If so, the annual additional cost to the Embassy would be an estimated USD 18,000.

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Comment
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19. (SBU) Post strongly believes that this issue is important enough to incur the extra cost despite budget pressures. We further encourage other Missions in the region to consider taking a similar step. Increasing the wages of contract workers who presently earn so little shows that we take fair

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labor practices and TIP seriously, and lead on these issues by example. In Oman, where there is no expatriate minimum wage, our action also will help call attention to gross inequities between Omani and foreign workers in the labor market. Once the funds are made available and the contracts modified according to our minimum wage requirement, Post intends to reach out to other foreign missions in Oman to encourage similar action. End comment.
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